

Message Text

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INFO OCT-01 ISO-00 NEAE-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 AGRE-00

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FM AMEMBASSY TUNIS

TO SECSTATE WASHDC PRIORITY 4278

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E.O.11652: N/A

TAGS: USTSJC, EAID, ECON, EFIN, EINV, OSCI, TS

SUBJ: US/TUNISIAN JOINT COMMISSION - TUNISIAN 5TH PLAN

1. THERE FOLLOWS THE EMBASSY'S SUMMARY OF THE FINAL DRAFT OF THE TUNISIAN 5TH PLAN (PARAS 2-4) AND OUR PRELIMINARY ANALYSIS OF ITS IMPLICATIONS FOR THE US (PARAS 5-6). THE PLAN WILL FORM THE BASIS OF THE TUNISIAN PRESENTATION AT THE JOINT COMMISSION MEETING, AND WE BELIEVE THIS SUMMARY SHOULD RECEIVE CAREFUL STUDY BY ALL US AGENCIES TO BE REPRESENTED AT THE JC. THE TUNISIAN VIEW OF THE IMPLICATIONS FOR THE US OF THE PLAN ARE CONTAINED IN AN AIDE-MEMOIRE JUST RECEIVED FROM THE GOT. A SUMMARY AND ANALYSIS OF THE AIDE-MEMOIRE WILL FOLLOW BY PRIORITY CABEL.

2. MAJOR OBJECTIVES: A. AS WITH THE 4TH (FOUR-YEAR) PLAN, THE TH (FIVE-YEAR) PLAN SETS JOB CREATION AS ITS PRINCIPAL SOCIO-ECONOMIC OBJECTIVE. USING AN INDICATOR OF 7.5 PERCENT REAL GROWTH PER ANNUM, THE PLAN PROJECTS THE CREATION OF 233,000 NET PERMANENT NEW JOBS IN THE NON-AGRICULTURAL SECTOR, PLUS 30,000 FULL-TIME JOBS IN AGRICULTURE. IF FULLY SUCCESSFUL, THIS

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LEVEL OF JOB CREATION WILL STILL NOT FULLY COVER THE INCREASE

TO THE LABOR FORCE, ESTIMATED AT 300,000. FULL EMPLOYMENT, DEFINED AS SUFFICIENT JOB CREATION TO MEET ANNUAL ADDITIONAL DEMAND FOR JOBS, IS ANTICIPATED BY 1981. B. AGRICULTURAL SELF-SUFFICIENCY, I.E. A ZERO BALANCE OF TRADE IN AGRICULTURAL GOODS, IS A SECOND MAJOR GOAL TO BE ACHIEVED THROUGH INCREASED ACREAGE UNDER IRRIGATION, IMPROVED LAND USE, AND IMPROVED TECHNOLOGY. C. THE THIRD MAJOR GOAL IS AN END TO RELIANCE ON CONCESSIONAL ASSISTANCE IN FUTURE DEVELOPMENT PLANS; THIS GOAL WILL NECESSITATE THE ESTABLISHMENT OF A SOUND MULTI-SECTORIAL DOMESTIC ECONOMY AS WELL AS THE NORMAL SECTOR

WHICH GENERATES SUFFICIENT AND RELIABLE EARNINGS TO FINANCE FUTURE COMMERCIAL EXTERNAL BORROWING.

3. INDICATORS AND INPUTS: THE PLAN HAS ESTABLISHED NUMBEROUS QUANTITATIVE INDICATORS AND THEIR RELATED INPUTS WHICH ARE DESIGNED TO MONITOR THE ECONOMY'S SUCCESS IN ACHIEVING THE HIGHLIGHTS. A) ANNUAL REAL GROWTH RATE - 7.5 PERCENT: INVESTMENT NECESSARY TO MEET THIS GROWTH RATE IS PROJECTED TO BE 3,500 MILLION DINARS (MD) (\$8,225 MILLION) AT 1% EQUALS \$2.35) IN CONSTANT 1976 DINARS, OR 4,200 MD IN CURRENT DINARS THROUGHOUT THE PLAN. DOMESTIC SAVINGS IS EXPECTED TO SUPPLY 3,012 MD (\$7,050 MILLION) VIA GOVERNMENT BUDGET SURPLUS AND MISCELLANEOUS OPERATIONS (824.5 MD - 27.4 PERCENT), PUBLIC CORPORATION SAVINGS (1110.9 MD - 30.9 PERCENT), PRIVATE SECTOR (1031 MD - 34.2 PERCENT) AND BANKS (45.6 MD - 15 PERCENT). PRIVATE SECTOR AND PUBLIC CORPORATIONS SAVINGS WILL BE CHANNELED INTO INVESTMENT THROUGH THE BANKING SYSTEM WHICH WILL BE REQUIRED TO HOLD 44 PERCENT OF DEPOSITS IN MEDIUM AND SHORT TERM ASSETS, INCLUDING 20 PERCENT IN GOVERNMENT BONDS, PLANNED TO BE A MAJOR SOURCE OF FINANCING FOR THE PUBLIC SECTOR DURING THE 5TH PLAN. PROPOSED MORE ATTRACTIVE TIME DEPOSIT ACCOUNTS ARE ALSO INTENDED TO INCREASE THE AMOUNT OF HOUSEHOLD SAVINGS AVAILABLE TO THE INVESTMENT PROGRAM THROUGH THE BANKING AND HOUSING FINANCE SYSTEM. DIRECT GOVERNMENT INVESTMENT WILL BE ABSORBED BY PROJECTS UNDERWAY OR IN THE FINAL STAGES OF PLANNING. 80 PERCENT OF PUBLIC CORPORATION INVESTMENT IS DIRECTED TO PROJECTS SIMILARLY WELL ESTABLISHED. GROSS FOREIGN INVESTMENT DURING THE FIVE YEARS IS PLACED AT 1,506 MD (\$3,500 MILLION) OR NET AT -996 MD, OF WHICH 70 MD IS IN GRANTS, 240 MD IN LIMITED OFFICIAL USE

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DIRECT INVESTMENT, 720 MD IN PUBLIC LONG TERM LOANS AND 476 MD IN PRIVATE MEDIUM TERM (UP TO 10 YEARS) LOANS. OF 720 MD FROM PUBLIC LONG TERM BORROWING, 211 MD IS EXPECTED TO BE DISBURSED FROM LOANS NOW IN THE PIPELINE, 244 MD FROM LOANS UNDER NEGOTIATION, AND 265 MD FROM NEW LOANS TO BE OBTAINED (87 MD FROM MULTILATERAL INSTITUTIONS, 109 MD FROM GULF STATES AND 69 MD FROM OECD COUNTRIES). THESE INVESTMENT TARGETS ARE SUBSTANTIALLY HIGHER THAN THOSE ACHIEVED DURING

THE 4TH PLAN AND WILL REQUIRE A CONCENTRATED EFFORT TO BE ATTAINED. IT WILL BE PARTICULARLY DIFFICULT TO CONTAIN THE RATE OF INCREASE OF CONSUMPTION DURING A GROWTH PERIOD IN ORDER TO RAISE THE MARGINAL PROPENSITY TO SAVE IN THE HOUSEHOLD SECTOR FROM 10 PERCENT TO 11.6 PERCENT. IMPROVED OPPORTUNITIES FOR HOME OWNERSHIP WILL BE A MAJOR INCENTIVE. PUBLIC CORPORATIONS WILL BE REORGANIZED INTO POTENTIALLY MORE EFFICIENT HOLDING COMPANIES WITH PROFIT CENTERS IN AN ATTEMPT TO INCREASE INVESTMENT ATTRACTION, BOTH DOMESTIC AND FOREIGN.

B) POPULATION GROWTH RATE - 2.36 PERCENT (1975-80) FALLING TO 1.48 PERCENT (1995-2000): JOB CREATION ALONE CANNOT SOLVE THE UNEMPLOYMENT PROBLEM, AND THE 5TH PLAN PROPOSES A CONTINUATION OF THE GOT'S ACTIVE FAMILY PLANNING PROGRAM TO REDUCE SUBSTANTIALLY THE NUMBER OF POTENTIAL ENTRANTS INTO THE MJB MARKET, AS WELL AS THE PROPORTION OF NON-PRODUCTIVE PRE-SCHOOL AND SCHOOL AGE PERSONS IN THE POPULATION. GOT PROJECTS THAT UNDER FAMILY PLANNING PROGRAM: A) 154,000 BIRTHS WILL BE AVOIDED DURING THE 5TH PLAN, B) 300,000 FEWER PERSONS WILL ENTER THE JOB MARKET IN THE PERIOD TO THE YEAR 2000, AND C) THE POPULATION IN THE YEAR 2000 WILL BE 2,754,700 LESS THAN IF TODAY'S FECUNDITY CONDITIONS PREVAILED OVER THE ENTIRE PERIOD.

C) AGRICULTURAL PRODUCTION - INCREASE 2.4 PERCENT PER ANNUM: INVESTMENT IN AGRICULTURE IS PLANNED AT 500 MD FOR THE 5TH PLAN, COMPARED TO 201 MD DURING THE 4TH. ALMOST HALF (222 MD) TS

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DESTINED FOR IRRIGATION PROJECTS TO 1) IMPROVE PRESENT SYSTEMS AND 2) PLACE 37,500 ADDITIONAL HECTARES UNDER IRRIGATION; MAJOR INVESTMENTS ARE ALSO PLANNED IN LIVESTOCK (60 MD), ORCHARDS (55 MD) AND FISHING (44 MD). RECOGNIZING THE STATE OF THE WORLD OLIVE OIL MARKET, THE GOT PROJECTS A REDUCTION OF OLIVE OIL PRODUCTION AND OLIVE OIL EXPORTS (TO 25 MD ANNUALLY FROM AN AVERAGE 41 MD ANNUALLY DURING THE 4TH PLAN). PRINCIPAL PRODUCTION INCREASES ARE FOR WHEAT (REACHING 1.6 MILLION TONS IN 1981, PERMITTING THE EXPORT OF 100,000 TONS), VEGETABLES, SUGAR BEETS, LIVESTOCK AND FISH. (INCREASED INTEREST IN THE AGRICULTURAL SECTOR FOLLOWS FOUR YEARS OF RELATIVE NEGLECT DURING THE 4TH PLAN.) MAJOR IRRIGATION PROJECTS IDENTIFIED ARE FOR THE MOST PART ALREADY FINANCED. ADDITIONAL INPUTS NEEDED ARE A) IMPROVED TECHNIQUES BY FARMERS (THROUGH BETTER EDUCATION AND EXTENSION SERVICES) AS WELL AS B) ADAPTATION OF MODERN TECHNOLOGY TO TUNISIAN CONDITIONS. ALTHOUGH SOME EMPHASIS IS PLACED ON INCREASING EXPORTS, SELF-SUFFICIENCY IS TO BE REACHED PRINCIPALLY BY IMPORT SUBSTITUTION.

D) GROWTH OF FOREIGN EXCHANGE EARNINGS -10 PERCENT PER ANNUM: ALTHOUGH THE TRADE AND CURRENT ACCOUNT DEFICITS ARE PROJECTED

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TO WORSEN IN THE COURSE OF THE 5TH PLAN, FROM 264 MD TO 457 MD, AND FROM 21 MD TO 95 MD RESPECTIVELY, THE EXTERNAL SECTOR IS EXPECTED TO SUFFICIENTLY STABILIZE TO ENABLE COMMERCIAL BORROWING AND FOREIGN INVESTMENT TO COVER THESE DEFICITS AFTER THE 5TH PLAN. THE PRINCIPAL SOURCES OF FOREIGN EXCHANGE IN 1981 WILL BE PETROLEUM (CRUDE - 88 MD AND REFINED - UNREFINED PHOSPHATES (RAW - 47 MD, REFINED 95 MD), TEXTILES (110 MD), AND TOURISM (251 MD). EXPORT PRICES ARE PROJECTED TO REMAIN STABLE OVER THE PERIOD, WHEREAS IMPORT PRICES OF MANUFACTURED GOODS ARE EXPECTED TO INCREASE 8 PERCENT PER ANNUM. IMPORT VOLUME IS TO REMAIN CONSTANT, REFLECTING AN ATTEMPT TO HOLD DOWN IMPORT COSTS AS WELL AS SUBSTANTIAL IMPORT SUBSTITUTION PROGRAMS PARTICULARLY IN BUILDING MATERIALS. THE CUMULATIVE CURRENT ACCOUNT DEFICIT FINANCED BY FOREIGN INVESTMENT AS OUTLINED PARA 3 (A) WILL CREATE A DEBT BURDEN OF 1500 MD BY 1981 - 45 PERCENT OF GDP. UNDER THESE CONDITIONS, DEBT SERVICE WILL REQUIRE 15.5 PERCENT OF FOREIGN EXCHANGE EARNINGS.

4. SECTORAL BREAKDOWN OF INVESTMENTS:

A) AGRICULTURE SEE PARA 3 (C)

B) INDUSTRY - OF THE 233,000 JOBS TO BE CREATED, 100,000 ARE TO BE IN MANUFACTURING INDUSTRY, AS A RESULT OF 950 MD OF INVESTMENT IN THIS SECTOR, HALF OF WHICH WILL BE DEVOTED TO BUILDING MATERIALS, (I.E. CEMENT) AND PHOSPHATE PROCESSING. PROJECTS

TOTALLING 510 MD HAVE BEEN IDENTIFIED, ALSO MAINLY IN CEMENT AND PHOSPHATES. FOREIGN INVESTMENT WILL BE ACTIVELY SOUGHT FOR AS YET UNIDENTIFIED PROJECTS IN MECHANICAL AND ELECTRICAL INDUSTRIES (150 MD) AND TEXTILES (100 MD). MANUFACTURING INDUSTRY IS EXPECTED TO GROW AT A RATE OF 13.3 PERCENT AND TO CONTRIBUTE 18.9 PERCENT OF TOTAL GROWTH. THE ENERGY SECTOR PLANS ARE DOMINATED BY DEVELOPMENT OF THE MISKAR OFFSHORE GAS FIELD (248 MD); ELECTRIC POWER GENERATION AND DISTRIBUTION (210 MD INCLUDING 50 MD FOR THE SOUSSE POWER PROJECT); AND PETROLEUM EXPLORATION AND DEVELOPMENT (202 MD, OF WHICH FOREIGN COMPANIES WILL BE EXPECTED TO PUT UP THE MAJOR PORTION). A NEW REFINERY (50 MD) IS ALSO PROJECTED. (IT ALSO APPEARED IN THE 4TH PLAN, BUT SUBSEQUENTLY WAS DEFERRED). MINING IS ALL PHOSPHATES (109 MD OF 120 MD FOR THE SECTOR). STATE CORPORATIONS WILL BE RESPONSIBLE FOR THE LARGE INVESTMENTS IN THE INDUSTRIAL SECTOR, HOPEFULLY RECEIVING MAJOR FOREIGN INPUTS THROUGH LONG-TERM BORROWING OR PARTICI-LIMITED OFFICIAL USE

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PATIONS, WHEREAS THE PRIVATE SECTOR WILL BE EXPECTED TO ORIGINATE AND FINANCE SMALL INDUSTRIAL VENTURES.

C) SERVICES - TRANSPORTATION AND COMMUNICATIONS WILL RECEIVE 600 MD, WITH MAJOR ALLOCATIONS TO ROADS (243.1 MD, INCLUDING A SECOND MAJOR ROAD PROJECT PLANNED BY THE WORLD BANK) AND AIR TRANSPORTATION (135 MD, MUCH OF WHICH SUBJECT TO LONG TERM CREDITS FOR AIRCRAFT). INVESTMENTS IN TOURISM WILL BE MINIMAL (80 MD). SOCIAL SERVICES ARE PROGRAMMED TO RECEIVE INVESTMENTS OF 450 MD, OF WHICH EDUCATION AND TRAINING 120 MD, HEALTH 80 MD, SANITATION 60 MD. CUTTING ACROSS SECTORIAL LINES, RURAL DEVELOPMENT HAS BEEN ALLOCATED 100 MD.

5. IMPLICATIONS FOR U.S. ASSISTANCE - THE NECESSARY EXTERNAL FINANCING INPUTS FOR THE 5TH PLAN ARE DESCRIBED PARA 3(A) IN QUANTITATIVE TERMS. IDENTIFYING OUR POSSIBLE ROLE, HOWEVER, REQUIRES FURTHER ANALYSIS OF THE UTILIZATION OF EXTERNAL FINANCING AND ASSISTANCE.

A. INDUSTRY: AS INDICATED PARA 4, WELL OVER HALF OF THE INVESTMENT PROGRAM CONCERNED THE INDUSTRIAL SECTOR, WHICH IS MORE SUSCEPTIBLE TO FOREIGN DIRECT INVESTMENT OR LONG-TERM COMMERCIAL LENDING THAN TO CONCESSIONAL ASSISTANCE. THE U.S. THROUGH OPIC HAS AN ACTIVE PROGRAM PROMOTING INVESTMENT IN TUNISIA, WHICH IS SHOWING GREATER PROMISE SINCE THE APPOINTMENT OF A U.S. INVESTMENT ADVISOR AT API. EXIM LENDING, WHICH THE GOT PLACES IN THE CATEGORY OF PUBLIC CAPITAL, COULD PLAY AN IMPORTANT ROLE IF EXIM TERMS CAN BE MADE MORE ATTRACTIVE TO GOT BORROWERS. IMPORTANT OPPORTUNITY EXISTS FOR U.S. TO TAKE ADVANTAGE OF HEAVY 5TH PLAN INVESTMENT AND SUPPLY NEEDS IN INDUSTRIAL SECTOR BY EMPHASIZING FOREIGN INVESTMENT (PRIVATE AND MULTILATERAL, E.G. PROPOSED INTERNATIONAL RESOURCES BANK) AND LONGER MATURITY EXIM LENDING PROGRAMS AS MEANS TO

INTRODUCE ADVANCED AMERICAN TECHNOLOGY TO TUNISIAN INDUSTRY.

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B. AGRICULTURE: GOT IS PLACING HEAVY EMPHASIS ON AGRICULTURE IN ITS PROPOSALS FOR U.S. ASSISTANCE (TUNIS 6202). ALTHOUGH OUR ABILITY TO BE HELPFUL IN THE MAJOR IRRIGATION INFRASTRUCTURE PROJECTS IS VIRUTALLY NON-EXISTENT, WE ARE ALREADY INVOLVED IN RURAL DEVELOPMENT AND COULD EASILY EXPAND INTO RELATED INFRASTRUCTURE COMPONENTS (WATER DISTRIBUTION, LAND TRANSPORTATION, HEALTH FACILITIES). LANDSAT PROGRAM COULD BE MAJOR NEW INNOVATION IN U.S. ASSISTANCE TO AGRICULTURE CSECTOR, AND FITS WELL WITH TECHNOLOGY TRANSFER OBJECTIVES OF AID/W. POSSIBLY MOST PROMISING NEW AREA FOR U.S. ROLE IN AGRICULTURE IS THROUGH COLLABORATIVE EFFORTS OF AID AND AGRIBUSINESS COUNCIL (OR OTHER PRIVATE AGENCY) IN INTRODUCING INTEGRATED U.S. AGRICULTIVE TECHNIQUES FROM PRIVATE SECTOR TO TUNISIAN FARMERS, WITH POSSIBLE U.S. INVESTMENT COMPONENTS. AID ROLE WILL BE EVEN MORE IMPORTANT DUE TO IMPORT SUBSTITUE (IN LIEU OF EXPORT) NATURE OF DESIRED CROPS.

C. SCIENCE AND TEHNOLGY: 5TH PLAN HAS IDENTIFIED SEVERAL AREAS IN VAST SCIENCE AND TECHNOLOGY FIELD FOR SPECIAL EMPHASIS, NAMELY ENERGY DEVELOPMENT (HYDROCARBON AND SOLAR

ENERGY), SATELLITE IMAGERY FOR RESOURCE AND LAND USE MAPPING,
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SATELLITETELECOMMUNICATIONS, COMPUTER APPLICATIONS, AND ELECTRONIC DATA PROCESSING. U.S. HAS MOST ADVANCED TECHNOLOGY IN THESE AREAS AND IS NATRUAL SOURCE OF ASSISTANCE FOR NEW GOT VENTURES, BUT IMAGINATIVE APPROACH WILL BE NECESSARY TO DEVELOP PROJECTS USSCEPTIBLE TO U.S. CONCESSIONAL, OR MIXED CONCESSIONAL/EXIM/COMMERICAN FINANCING.

D. POPULATION CONTROL: U.S. IS TRADITIONAL PARTNER IN GOT FAMILY PANNING PROGRAM WHOSE SUCCESS, AS NOATED PARA 2(B) IS ESSENTIAL TO LONG-RUN ACHIEVEMENT OF OVERALL ECONOMIC AND SOCIAL OBJECTIVES, PARTICULARLY FULL EMPLOYMENT. U.S. INVOLVEMENT IN RURAL DEVELOPMENT PROVIDES OPPORTUNITY TO EXPAND FAMILY PALNNING.

6. GOT EXPECTATIONS AND U.S. RESPONSES - A) ECONOMIC DEVELOPMENT : HEAVY EXTERNAL FINANCING REQUIRED BY 5TH PLAN NATURALLY RESULTS IN NARROW GOT FOCUS ON QUANTITATIVE RESPONSE OF TUNISIA'S TRADITIONAL AID DONORS. U.S. CLEARLY UNABLE TO PROVIDE QUANTITY OF CONCESSIONAL ASSISTANCE WHICH CHARACTERIZED PRE-1972 PROGRAM, BUT LEVELS OF AID PROJECTED BY RECENT BAS, OR SLIGHTLY MORE, CAN BE PLACED IN BEST LIGHT BY DEVELOPING PROJECTS WHICH RESPOND TO HIGH PRIORITY GOT NEEDS. CURRENTLY DEVELOPING PROJECTS IN RURAL DEVELOPMENT AND RURAL HEALTH ARE GOOD EXAMPLES. PROPOSALS UNDER CONSIDERATION FOR FUTURE PROJECTS IN SCIENCE AND TECHNOLOGY AND AGRIBUSINESS SHOULD ALSO FIND CONGRUENT GOT NEEDS TO FIL. CONTINUED TECHNICAL ASSISTANCE PARTICULARLY IN AGRICULTURE WITH EXPANDED AGRICULTURAL EEUDEDICATION COMPONET IF POSSIBLE, AND CONTINUED SUPPORT TO FAMILY PANNING PROGRAM WILL ROUND OUT ATTRACTIVE AID PACKAGE FOR NEXT FIVE YEARS. PACKAGE COULD BE SUPPLEMENTED BY CONTINUOUS PL-480 TITLE II AND PL-480 TITLE I AS WARRANTED. AID/W SHOULD GIVE SERIOUS CONSIDERATION TO GIVING GOT OVERALL CAPITAL LENDING AND TECHNICAL ASSISTANCE FIGURE FOR ENTIRE PACKAGE IN CONTEST ANNOUNCEMENT OF END AID/TUNISIA PROGRAM BY 1981, CONSISTENT WITH GOT OBJECTIVES TO BE INDEPENDENT OF FURTHER CONCESSIONAL ASSISTANCE BY THAT TIME. B) TRADE AND INVESTMENT: ON TRADE AND INVESTMENT SIDE, U.S. CAN POINT TO ACTIVE INVESTMENT PROMOTION PROGRAV AS WELL AS WILLINGNESS EXIM TO GET INVOLVED IN LARGE PROJECTS IN TUNISIA (E.G., DEVELOPMENT MISKAR GAS FIELD). WE SHOULD AVOID TOUTING U.S. EXPORTS AS FAVOR OR ASSIST-ANCE TO TUNISIA, BUT INSTEAD (1) SEEK TO ASSIST GOT IN IDENTIFYING AREAS SUSCEPTIBLE TO U.S. INVESTMENT, OR IN WHICH U.S.

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TECHNOLOGY IS ADVANCED AND U.S. COMPANY WILLING TO UNDERTAKE GOT PROJECT, AND (2) USE USG FACILITIES TO ASSURE GOT BEST POSSIBLE INVESTMENT/FINANCING DEAL GIVEN CONSTRAINTS ON EXIM OR OTHER USG PROGRAM. U.S. PRIVATE SECTOR HAS MUCH TO OFFER IN HELPING GOT REACH INDUSTRIAL AND AGRICULTURAL GOALS OF 5TH PLAN, BUT SIZE OF TUNISIAN MARKET, RELATIVE UNFAMILIARITY OF U.S. PRIVATE SECTOR WITH TUNISIA, AND SOMETIMES FRUSTRATING ATTITUDES AND REGULATIONS OF TUNISIAN OFFICIALS COMBINE TO KEEP U.S. PRIVATE SECTOR INVOLVEMENT BELOW ITS POTENTIAL. TO OVERCOME THESE PROBLEMS WILL REQUIRE EFFORT CTBGOT AND USG, AN EFFORT WHICH J.C. IS UNIQUELY SUITED TO ELABORATE. C. GENERAL: U.S. RESPONSE OUTLINED THIS PARA MAY NOT MAKE GOT HAPPY IN SHORT RUN, BUT WILL DEMONSTRATE SINCERE DESIRE U.S. TO HELP TUNISIA ATTAIN 5TH PLAN GOALS WITHIN STRICT CONSTRAINTS U.S. ASSISTANCE AND EXPORT FINANCING PROGRAMS. USG FLEXIBILITY LIN DESIGNING PROGRAMS AROUND GOT NEEDS AND PRIORITIES WILL GO FAR TOWARD CORROBORATING THIS IMPRESSION.

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